

CITY OF HESSTON, KANSAS

DECEMBER 31, 2014

CITY OF HESSTON, KANSAS

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December 31, 2014

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## INDEPENDENT AUDITORS' REPORT

### Mayor and City Council City of Hesston, Kansas

We have audited the accompanying regulatory basis summary statement of receipts, expenditures, and unencumbered cash of City of Hesston, Kansas (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statement.

#### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the regulatory basis of accounting provisions permitted in the Kansas Municipal Audit and Accounting Guide (KMAAG), as described in note 1, to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for preparing the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and KMAAG. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Basis for Adverse Opinion on U. S. Generally Accepted Accounting Principles

As described in note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions permitted in KMAAG, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U. S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2014, or the respective changes in financial position or where applicable, its changes in cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City, as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions permitted in KMAAG described in note 1.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of receipts, expenditures, and unencumbered cash – regulatory basis (basic financial statement) as a whole. The schedule of expenditures – regulatory basis – actual and budget, the individual fund schedules of receipts and expenditures – regulatory basis – actual and budget, and the schedule of receipts and expenditures – related municipal entity (schedules 1 through 3, as listed in the table of contents) are presented for additional analysis and are not a required part of the financial statement; however, they are required to be presented under the provisions in KMAAG. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statement as a whole on the basis of accounting described in note 1.



Certified Public Accountants

Hutchinson, Kansas  
June 18, 2015

## CITY OF HESSTON, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -  
REGULATORY BASIS

For Year Ended December 31, 2014

Page 1 of 2

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND	\$ 1,197,502	\$ 2,185,733	\$ 2,078,342	\$ 1,304,893	\$ 8,552	\$ 1,313,445
SPECIAL PURPOSE FUND						
Library	(47)	318,861	317,460	1,354	-	1,354
Special Highway	344,570	96,781	99,185	342,166	3,250	345,416
Emergency Services	92,175	359,762	336,089	115,848	403	116,251
Fire Equipment	435,006	94,525	-	529,531	-	529,531
Community Service Program	34,019	19,900	16,902	37,017	-	37,017
Economic Development	94,965	50,000	78,192	66,773	-	66,773
Special Parks	505	331	-	836	-	836
Transient Guest Tax	-	102,881	65,015	37,866	-	37,866
Special Law Enforcement	-	11,993	6,107	5,886	-	5,886
Revolving Loan	118,921	22,968	120,000	21,889	-	21,889
Public Building Commission	67,313	67,040	67,040	67,313	-	67,313
Library Maintenance	24,439	-	1,167	23,272	-	23,272
Capital Improvement	268,518	200,000	184,895	283,623	-	283,623
Equipment Reserve	605,698	235,400	57,980	783,118	4,689	787,807
BOND AND INTEREST FUND						
Bond and Interest	241,204	2,803,126	2,796,953	247,377	-	247,377
CAPITAL PROJECTS	(26,771)	3,766,117	3,649,487	89,859	40,443	130,302
BUSINESS FUNDS						
Utilities	3,724,197	4,734,126	4,325,331	4,132,992	6,624	4,139,616
Utility Deposits	-	-	-	-	61,710	61,710
Utility Maintenance Reserve	1,409,595	251,985	210,231	1,451,349	549	1,451,898
Golf Course	50,225	37,843	35,612	52,456	-	52,456
Golf Course Maintenance Reserve	72,308	50,000	17,434	104,874	-	104,874
TOTAL PRIMARY GOVERNMENT	8,754,342	15,409,372	14,463,422	9,700,292	126,220	9,826,512
RELATED MUNICIPAL ENTITY						
Hesston Public Library	66,074	216,103	220,257	61,920	-	61,920
TOTAL REPORTING ENTITY	\$ 8,820,416	\$ 15,625,475	\$ 14,683,679	\$ 9,762,212	\$ 126,220	\$ 9,888,432

The notes to the financial statement are an integral part of this statement.

## CITY OF HESSTON, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -  
REGULATORY BASIS  
For Year Ended December 31, 2014

Page 2 of 2

## COMPOSITION OF CASH

Checking accounts	
Citizen State Bank, Hesston, Kansas	\$ 9,826,512
Petty cash	-
Related municipal entity	
Hesston Public Library	<u>61,920</u>
TOTAL COMPOSITION OF CASH	<u><u>\$ 9,888,432</u></u>

The notes to the financial statement are an integral part of this statement.



CITY OF HESSTON, KANSAS  
NOTES TO THE FINANCIAL STATEMENT  
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Hesston, Kansas (the City), is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Hesston (the municipality) and its related municipal entity, the Hesston Public Library. The related municipal entity discussed below is included in the City's reporting entity because of its operational or financial relationship with the City.

Related Municipal Entity

The Hesston Public Library is governed by a board, all appointees of which are approved by the City Mayor. The library is not a separate taxing entity under Kansas statutes, and the City levies taxes for the library operation, which represents a significant portion of its total revenues.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Kansas Municipal Audit and Accounting Guide Regulatory Basis of Presentation Fund Definitions

The following types of funds comprise the financial activities of the City for the year of 2014:

General Fund – to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds – to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Capital Project Funds – to account for the financial resources segregated for the acquisition or construction of major capital facilities and improvements.

Bond and Interest Funds – to account for the accumulation of resources for and the payment of, interest and principal on general long-term debt.

Business Funds – to account for operations that are financed and operated in a manner similar to private business enterprises – where the stated intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges – or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### Regulatory Basis of Accounting and Departures from Generally Accepted Accounting Principles

The regulatory basis of accounting as prescribed in the Kansas Municipal Audit and Accounting Guide (KMAAG) involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and reporting the changes in unencumbered cash and investments of a fund resulting from the regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c); waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

### Interest Income

Unless otherwise designated, all investment income is credited to the General Fund.

### Use of Estimates

The process of preparing the financial statement requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

### Reimbursed Expenditures

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

### Budgets

Kansas statutes require that an annual operating budget be legally adopted for all funds (including Bond and Interest and Business Funds) unless exempted by specific statute. The statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1 of each year.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.



The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the regulatory basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for Equipment, Building and Maintenance Reserve Funds, Revolving Loan Fund, Special Law Enforcement Fund, Public Building Commission Fund, and Capital Projects Funds.

Spending in funds which are not subject to the legal annual operating budget requirement is maintained by the review and internal appropriation process established by management.

Taxes levied to finance the budget become a lien against all property November 1. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. These taxes are made available to the City after January 1 and are distributed by the County Treasurer generally in the months of January and June. Delinquent tax collections are distributed throughout the year.

#### NOTE 2—DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. Each fund's portion of this pool is displayed on the summary statement of receipts, expenditures, and unencumbered cash. The cash balances of certain funds are restricted as to their use.

K.S.A. 9-1401 established the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

#### Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2014.

### Deposits

At December 31, 2014, the carrying amount of the City's deposits was \$9,826,512. The bank balance was \$9,840,168. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$9,590,168 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

At December 31, 2014, the carrying amount of the related municipal entity's deposits, including certificates of deposit, was \$61,920. The bank balance was \$76,703, which was covered by FDIC insurance. The bank balance was held by one bank resulting in a concentration of credit risk.

### NOTE 3—LONG-TERM DEBT

Terms for long-term debt for the City at December 31, 2014, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds and Public Building Commission Revenue Bonds				
Series 2009	3.000% to 4.850%	11/15/09	1,621,000	08/01/30
Public Building Commission				
Series 2010	1.500% to 4.750%	03/01/10	855,000	09/01/30
Series 2013	1.600% to 2.350%	02/15/13	1,875,000	08/01/26
Series 2014A	2.000% to 3.000%	07/01/14	2,180,000	09/01/26
Temporary Investments				
Series 2014	0.550%	02/01/14	1,353,000	02/01/16
Capital Leases				
Automatic meter reader	6.348%	12/15/05	165,715	12/15/15
Land	5.150%	09/01/14	158,000	09/01/24
KDHE Loan				
KWPCRF project #C20 1960 01	2.160%	03/05/13	3,327,705	03/01/34

Principal payments are due annually for General Obligation Bonds on September 1 for series 2009 and 2014A bonds, and the Public Building Commission series 2010 bonds. Principal payments are due semi-annually on February 1 and August 1 for the series 2013 bond. Interest payments are due semi-annually on March 1 and September 1 for the series 2009 and 2014A, and the Public Building Commission series 2010 bonds. Interest payments are due semi-annually on February 1 and August 1 for the Series 2013 bond. Principal and interest payments are due semi-annually on February 1 and August 1 for the Kansas Department of Health and Environment (KDHE) loan.

### Conduit Debt

The City has issued Industrial Revenue Bonds not directly obligated by the City. The total amount outstanding at December 31, 2014, was \$175,645,725 for the Industrial Revenue Bonds. These bonds do not constitute an indebtedness or pledge of the faith and credit of the City.

Changes in long-term debt for the City for the year ended December 31, 2014, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation and Revenue Bonds					
Series 2006A	\$ 940,000	\$ -	\$ 940,000	\$ -	\$ 39,850
Series 2007A	1,385,000	-	1,385,000	-	54,865
Series 2009	1,515,000	-	60,000	1,455,000	66,015
Public Building Commission					
Series 2010	785,000	-	35,000	750,000	32,040
Series 2013	1,815,000	-	170,000	1,645,000	35,278
Series 2014A	-	2,180,000	-	2,180,000	8,502
Temporary Improvement Notes					
Series 2014	-	1,353,000	-	1,353,000	3,722
Capital Leases					
Restaurant	58,028	-	58,028	-	1,156
Automatic meter reader	41,759	-	20,238	21,521	2,299
Land	-	158,000	-	158,000	736
KDHE Loan					
KWPCRF project #C20 1960 01	250,025	2,421,662	-	2,671,687	-
Total Bonded Indebtedness	<u>\$ 6,789,812</u>	<u>\$ 6,112,662</u>	<u>\$ 2,668,266</u>	<u>\$ 10,234,208</u>	<u>\$ 244,463</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Principal			Interest			Total Principal and Interest
	G.O. and PBC Bonds	Capital Leases	Other Debt	G.O. and PBC Bonds	Capital Leases	Other Debt	
2015	\$ 300,000	\$ 33,300	\$ 134,632	\$ 178,357	\$ 9,009	\$ 78,597	\$ 733,894
2016	405,000	13,127	1,490,556	171,608	7,382	75,674	2,163,347
2017	415,000	13,832	140,543	162,021	6,676	65,244	803,316
2018	420,000	14,554	143,595	151,831	5,955	62,192	798,127
2019	440,000	15,313	146,713	141,420	5,196	59,074	807,716
2020-2024	2,355,000	89,395	782,765	532,087	13,148	246,171	4,018,566
2025-2029	1,500,000	-	871,533	193,665	-	157,403	2,722,601
2030-2034	195,000	-	970,368	9,390	-	58,568	1,233,326
	<u>\$ 6,030,000</u>	<u>\$ 179,521</u>	<u>\$ 4,680,705</u>	<u>\$ 1,540,379</u>	<u>\$ 47,366</u>	<u>\$ 802,923</u>	<u>\$ 13,280,893</u>

Included in other debt above are estimated principal and interest payments on the KDHE loan and the temporary investment note.

## NOTE 4—REVOLVING LOANS

The City has a revolving loan fund to loan money to local businesses. Balances of note receivables at year end are as follows:

Date of Loan	Company	Original Loan Amount	Interest Rate	Original Terms in Years	Balance Due at 12/31/14
2009	Panda Kitchen	\$ 25,000	3.00%	10 Years	\$ 10,350
2013	Weaver Grocers, LLC	120,000	3.00%	10 Years	119,141
2006	Hesston Chiropractic	40,000	3.00%	10 Years	4,351
2012	Skoops, LLC	56,800	3.00%	10 Years	43,715
2012	Hesston Hospitality, L.L.C.	35,000	3.00%	10 Years	199,187
					<u>\$ 376,744</u>

## NOTE 5—INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Statutory Authority	Amount
Utilities Fund	Utility Maintenance Reserve Fund	K.S.A. 12-825d	\$ 250,000
Utilities Fund	Capital Improvement Fund	K.S.A. 12-825d	200,000
Utilities Fund	Bond and Interest Fund	City ordinance	75,000
Utilities Fund	Emergency Services Fund	K.S.A. 12-825d	75,000
Utilities Fund	Golf Maintenance Reserve Fund	K.S.A. 12-825d	50,000
Utilities Fund	General Fund	K.S.A. 12-825d	100,000
Utilities Fund	Economic Development Fund	K.S.A. 12-825d	50,000
Economic Development Fund	Tansient Guest Tax Fund	City ordinance	60,000
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	182,500
General Fund	Public Building Commission Fund	K.S.A. 12-1,118	67,040
Emergency Services Fund	Equipment Reserve Fund	K.S.A. 12-1,117	50,000
General Fund	Bond and Interest Fund	City ordinance	42,610

## NOTE 6—DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. City contributions to the plan for 2014 were \$18,033.

## NOTE 7—RISK MANAGEMENT

The City is subject to certain risks such as torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from third parties. There have been no significant reductions in insurance coverage from the prior year, and there have been no settled claims in excess of insurance coverage for the prior three years.

## NOTE 8—CONCENTRATIONS

One customer accounts for approximately 46.00% of the City's Utilities Fund revenue.

## NOTE 9—DEFINED BENEFIT PENSION PLAN

### Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law established and amends benefit provisions. KPERS issues a publicly available financial report that includes the financial statement and the required supplementary information. That report may be obtained by writing to KPERS 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, or by calling 1-888-275-5737.

### Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5.00% of covered salary for Tier 1 members and at 6.00% of covered salary for Tier 2 members.

The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers.

## NOTE 10—OTHER LONG-TERM LIABILITIES

### Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

### Compensated Absences

The City's policies regarding vacation and sick leave permit employees to accumulate a maximum of 20 days vacation and 120 days sick leave. Policies prohibit payment of vacation time in lieu of time off and all accumulated vacation pay is payable upon employment termination. Policy prohibits payment of unused sick pay upon termination by the City.

### Operating Lease

The City entered into an operating lease with GE Capital Solutions for 50 electric golf carts. The lease began on February 20, 2012. The loan is a 48 month loan with \$3,500 due monthly and an interest rate of 0.00%. The City has signed an agreement with Blue Tee Management, LLC to sublease these golf carts. See note 12 to the financial statements.

## NOTE 11—COMMITMENTS

Capital projects in progress at December 31, 2014, consist of the following:

	WWTP Upgrades	West Embers IV	Prairie Lakes I
Project authorization	<u>\$ 3,327,705</u>	<u>\$ 309,000</u>	<u>\$ 1,044,000</u>
Cost incurred to:			
December 31, 2014	<u>\$ 2,703,524</u>	<u>\$ 231,382</u>	<u>\$ 989,957</u>

The wastewater treatment plant upgrades are funded by a loan from KDHE. The other projects will be funded with Temporary Improvement Notes and General Obligation Bonds and are expected to be paid with special assessments.

## NOTE 12—SUBSEQUENT EVENTS

On April 13, 2015, the City approved the purchase of a new fire truck in the amount of \$584,316. The City made a down payment of \$444,632 with the order, and the balance is due on delivery in 2016.

Effective June 1, 2015, the City will assume operations of the City golf course from the management company which has been operating the golf course.

## CITY OF HESSTON, KANSAS

SCHEDULE OF EXPENDITURES - REGULATORY BASIS (ACTUAL AND BUDGET)  
 (BUDGETED FUNDS ONLY)  
 For Year Ended December 31, 2014

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General	\$ 3,139,358	\$ -	\$ 3,139,358	\$ 2,078,342	\$ (1,061,016)
Library	186,103	131,515	317,618	317,460	(158)
Special Highway	484,115	-	484,115	99,185	(384,930)
Emergency Services	444,665	-	444,665	336,089	(108,576)
Fire Equipment	229,540	-	229,540	-	(229,540)
Community Service Program	50,550	-	50,550	16,902	(33,648)
Economic Development	153,757	-	153,757	78,192	(75,565)
Special Parks	1,051	-	1,051	-	(1,051)
Transient Guest Tax	67,000	-	67,000	65,015	(1,985)
Bond and Interest	808,283	2,232,267	3,040,550	2,796,953	(243,597)
Utilities	7,303,887	5,879	7,309,766	4,325,331	(2,984,435)
Golf Course	86,992	1,164	88,156	35,612	(52,544)



## CITY OF HESSTON, KANSAS

GENERAL FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Taxes			
Ad valorem property tax	\$ 639,020	\$ 633,188	\$ 5,832
16/20M vehicle tax	1,656	1,810	(154)
Back tax collections	3,293	5,000	(1,707)
Recreation vehicle tax	771	832	(61)
Motor vehicle tax	98,229	87,279	10,950
Sales tax	648,459	615,000	33,459
Alcohol tax	331	250	81
Total taxes	<u>1,391,759</u>	<u>1,343,359</u>	<u>48,400</u>
Licenses, fees, and permits			
Utility franchise tax	424,156	350,000	74,156
Miscellaneous permits and licenses	30,226	24,350	5,876
Total licenses, fees, and permits	<u>454,382</u>	<u>374,350</u>	<u>80,032</u>
Other receipts			
Fines, forfeitures, and penalties	33,147	37,250	(4,103)
Interest on idle funds	3,188	6,000	(2,812)
Reimbursed expenses	102,381	48,250	54,131
Miscellaneous	36,451	4,200	32,251
Operating transfers in	100,000	100,000	-
In lieu of taxes	11,175	12,000	(825)
Lease revenues	53,250	51,000	2,250
Total other receipts	<u>339,592</u>	<u>258,700</u>	<u>80,892</u>
TOTAL RECEIPTS	<u>2,185,733</u>	<u>\$ 1,976,409</u>	<u>\$ 209,324</u>
EXPENDITURES			
General government			
General administration	156,383	\$ 123,327	\$ 33,056
Legal service and engineering	17,143	11,000	6,143
Audit	15,320	15,000	320
Total general government	<u>188,846</u>	<u>149,327</u>	<u>39,519</u>
Public safety			
Police	667,755	690,102	(22,347)
Fire	160,517	171,771	(11,254)
Municipal Court	53,597	35,500	18,097
Total public safety	<u>881,869</u>	<u>897,373</u>	<u>(15,504)</u>

## CITY OF HESSTON, KANSAS

GENERAL FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)

For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
EXPENDITURES (CONTINUED)			
Highways and streets			
Streets	\$ 324,371	\$ 319,574	\$ 4,797
Street lighting	52,014	46,000	6,014
Total highways and streets	<u>376,385</u>	<u>365,574</u>	<u>10,811</u>
Culture and recreation			
Park	203,422	198,820	4,602
Cemetery	81	750	(669)
Tree board	3,160	3,000	160
Employee functions	4,090	3,000	1,090
Total culture and recreation	<u>210,753</u>	<u>205,570</u>	<u>5,183</u>
Economic development			
Harvey County EDC	24,014	24,014	-
Community development	833	5,000	(4,167)
Chamber of Commerce	37,544	34,000	3,544
Lease/purchase restaurant building	65,948	64,185	1,763
Total economic development	<u>128,339</u>	<u>127,199</u>	<u>1,140</u>
Capital improvements	<u>-</u>	<u>1,247,275</u>	<u>(1,247,275)</u>
Transfers out	<u>292,150</u>	<u>147,040</u>	<u>145,110</u>
TOTAL EXPENDITURES	<u>2,078,342</u>	<u>\$ 3,139,358</u>	<u>\$ (1,061,016)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	107,391		
UNENCUMBERED CASH, BEGINNING	<u>1,197,502</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 1,304,893</u>		

## CITY OF HESSTON, KANSAS

LIBRARY FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Ad valorem property tax	\$ 161,152	\$ 159,458	\$ 1,694
16/20M vehicle tax	417	456	(39)
Back tax collections	846	1,500	(654)
Recreation vehicle tax	194	209	(15)
Motor vehicle tax	24,737	21,980	2,757
Reimbursed expenses	131,515	-	131,515
TOTAL RECEIPTS	318,861	\$ 183,603	\$ 135,258
EXPENDITURES			
Appropriations to library board	185,987	\$ 186,103	\$ (116)
Reimbursed expenses	724	-	724
Payroll and insurance	130,749	-	130,749
	317,460	186,103	131,357
Adjustment for qualifying budget credit	-	131,515	(131,515)
TOTAL EXPENDITURES	317,460	\$ 317,618	\$ (158)
RECEIPTS OVER (UNDER) EXPENDITURES	1,401		
UNENCUMBERED CASH, BEGINNING	(47)		
UNENCUMBERED CASH, ENDING	\$ 1,354		

## CITY OF HESSTON, KANSAS

SPECIAL HIGHWAY FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
State payments	\$ 96,781	\$ 97,040	\$ (259)
EXPENDITURES			
Service contracts	24,625	\$ -	\$ 24,625
Paving and materials	14,526	25,000	(10,474)
Street improvements	60,034	444,115	(384,081)
Sidewalk improvements	-	15,000	(15,000)
TOTAL EXPENDITURES	99,185	\$ 484,115	\$ (384,930)
RECEIPTS OVER (UNDER) EXPENDITURES	(2,404)		
UNENCUMBERED CASH, BEGINNING	344,570		
UNENCUMBERED CASH, ENDING	\$ 342,166		

## CITY OF HESSTON, KANSAS

EMERGENCY SERVICES FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Intergovernmental	\$ 109,970	\$ 108,000	\$ 1,970
Charges for services	163,685	175,000	(11,315)
Operating transfers in	75,000	50,000	25,000
Miscellaneous	1,750	1,625	125
Reimbursed expenses	9,357	-	9,357
TOTAL RECEIPTS	<u>359,762</u>	<u>\$ 334,625</u>	<u>\$ 25,137</u>
EXPENDITURES			
Personal services	223,343	\$ 241,865	\$ (18,522)
Contractual services	32,297	39,085	(6,788)
Commodities	23,643	29,350	(5,707)
Capital outlay	942	114,365	(113,423)
Operating transfers out	50,000	20,000	30,000
Reimbursed expenses	5,864	-	5,864
TOTAL EXPENDITURES	<u>336,089</u>	<u>\$ 444,665</u>	<u>\$ (108,576)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	23,673		
UNENCUMBERED CASH, BEGINNING	<u>92,175</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 115,848</u>		

## CITY OF HESSTON, KANSAS

FIRE EQUIPMENT FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Ad valorem property tax	\$ 38,385	\$ 37,983	\$ 402
16/20M vehicle tax	99	109	(10)
Back tax collections	202	350	(148)
Recreational vehicle tax	46	50	(4)
Motor vehicle tax	5,891	5,236	655
Service agreements	49,902	49,902	-
TOTAL RECEIPTS	<u>94,525</u>	<u>\$ 93,630</u>	<u>\$ 895</u>
EXPENDITURES			
Capital outlay	<u>-</u>	<u>\$ 229,540</u>	<u>\$ (229,540)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	94,525		
UNENCUMBERED CASH, BEGINNING	<u>435,006</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 529,531</u>		

## CITY OF HESSTON, KANSAS

COMMUNITY SERVICE PROGRAM FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Ad valorem property tax	\$ 17,114	\$ 16,923	\$ 191
16/20M vehicle tax	44	48	(4)
Back tax collections	94	150	(56)
Recreational vehicle tax	21	22	(1)
Motor vehicle tax	2,627	2,333	294
TOTAL RECEIPTS	19,900	\$ 19,476	\$ 424
EXPENDITURES			
Community service grants	16,902	\$ 50,550	\$ (33,648)
RECEIPTS OVER (UNDER) EXPENDITURES	2,998		
UNENCUMBERED CASH, BEGINNING	34,019		
UNENCUMBERED CASH, ENDING	\$ 37,017		



## CITY OF HESSTON, KANSAS

ECONOMIC DEVELOPMENT FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Operating transfers in	\$ 50,000	\$ 25,000	\$ 25,000
Transient guest tax	-	44,250	(44,250)
TOTAL RECEIPTS	50,000	\$ 69,250	\$ (19,250)
EXPENDITURES			
Contractual services	16,510	\$ 57,250	\$ (40,740)
Commodities	1,682	3,000	(1,318)
	18,192	60,250	(42,058)
Transfer to new fund	60,000	93,507	(33,507)
TOTAL EXPENDITURES	78,192	\$ 153,757	\$ (75,565)
RECEIPTS OVER (UNDER) EXPENDITURES	(28,192)		
UNENCUMBERED CASH, BEGINNING	94,965		
UNENCUMBERED CASH, ENDING	\$ 66,773		

## CITY OF HESSTON, KANSAS

SPECIAL PARKS FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Alcohol tax	\$ 331	<u>\$ 250</u>	<u>\$ 81</u>
EXPENDITURES			
Capital outlay	<u>-</u>	<u>\$ 1,051</u>	<u>\$ (1,051)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	331		
UNENCUMBERED CASH, BEGINNING	<u>505</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 836</u>		

## CITY OF HESSTON, KANSAS

TRANSIENT GUEST TAX FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Operating transfers in	\$ 60,000	\$ -	\$ 60,000
Transient guest tax	42,881	-	42,881
TOTAL RECEIPTS	102,881	\$ -	\$ 102,881
EXPENDITURES			
Transient guest tax appropriations	43,305	\$ 67,000	\$ (23,695)
Grants	9,043	-	9,043
Personal services	12,667	-	12,667
TOTAL EXPENDITURES	65,015	\$ 67,000	\$ (1,985)
RECEIPTS OVER (UNDER) EXPENDITURES	37,866		
UNENCUMBERED CASH, BEGINNING	-		
UNENCUMBERED CASH, ENDING	\$ 37,866		

## CITY OF HESSTON, KANSAS

BOND AND INTEREST FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Ad valorem property tax	\$ 54,805	\$ 53,384	\$ 1,421
16/20M vehicle tax	140	153	(13)
Back tax collections	373	2,000	(1,627)
Recreational vehicle tax	65	70	(5)
Motor vehicle tax	8,283	7,358	925
Operating transfers in	117,610	118,305	(695)
Bond proceeds	2,189,833	-	2,189,833
Miscellaneous	33	-	33
Reimbursed expenses	42,434	-	42,434
Special assessments	389,550	390,260	(710)
TOTAL RECEIPTS	<u>2,803,126</u>	<u>\$ 571,530</u>	<u>\$ 2,231,596</u>
EXPENDITURES			
Bond principal	360,000	\$ 360,000	\$ -
Interest coupons	204,510	196,008	8,502
Cost of issuance	42,610	-	42,610
Escrow account to retire bonds	2,189,833	-	2,189,833
Cash basis reserve	-	252,275	(252,275)
	2,796,953	808,283	1,988,670
Adjustment for qualifying budget credit	-	2,232,267	(2,232,267)
TOTAL EXPENDITURES	<u>2,796,953</u>	<u>\$ 3,040,550</u>	<u>\$ (243,597)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	6,173		
UNENCUMBERED CASH, BEGINNING	<u>241,204</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 247,377</u>		

## CITY OF HESSTON, KANSAS

UTILITIES FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Charges for service	\$ 4,689,316	\$ 3,717,500	\$ 971,816
Connection fees	5,667	5,000	667
Reimbursed expenses	5,879	-	5,879
Miscellaneous	33,264	15,350	17,914
TOTAL RECEIPTS	<u>4,734,126</u>	<u>\$ 3,737,850</u>	<u>\$ 996,276</u>
EXPENDITURES			
Personal services	729,467	\$ 737,981	\$ (8,514)
Contractual services	440,870	411,296	29,574
Commodities	2,297,334	1,590,000	707,334
Capital outlay	53,365	4,046,305	(3,992,940)
Reimbursed expenses	4,295	-	4,295
Operational fund transfers	800,000	518,305	281,695
	4,325,331	7,303,887	(2,978,556)
Adjustment for qualifying budget credit	<u>-</u>	<u>5,879</u>	<u>(5,879)</u>
TOTAL EXPENDITURES	<u>4,325,331</u>	<u>\$ 7,309,766</u>	<u>\$ (2,984,435)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	408,795		
UNENCUMBERED CASH, BEGINNING	<u>3,724,197</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 4,132,992</u>		

## CITY OF HESSTON, KANSAS

GOLF COURSE FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2014

Schedule 2  
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	2014		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Gas user fee	\$ 3,314	\$ 2,000	\$ 1,314
Irrigation fee	33,365	40,000	(6,635)
Reimbursed expense	1,164	-	1,164
TOTAL RECEIPTS	<u>37,843</u>	<u>\$ 42,000</u>	<u>\$ (4,157)</u>
EXPENDITURES			
Contractual services	34,448	\$ 33,523	\$ 925
Capital outlay	-	53,469	(53,469)
Reimbursed expenses	1,164	-	1,164
	35,612	86,992	(51,380)
Adjustment for qualifying budget credit	-	1,164	(1,164)
TOTAL EXPENDITURES	<u>35,612</u>	<u>\$ 88,156</u>	<u>\$ (52,544)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	2,231		
UNENCUMBERED CASH, BEGINNING	<u>50,225</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 52,456</u>		

CITY OF HESSTON, KANSAS  
 SPECIAL PURPOSE NONBUDGETED FUNDS  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2014

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	Special Law Enforcement	Revolving Loan	Public Building Commission	Library Maintenance	Capital Improvement	Equipment Reserve
RECEIPTS						
Miscellaneous	\$ 11,993	\$ -	\$ -	\$ -	\$ -	\$ 2,900
Loan payments	-	22,968	-	-	-	-
Operating transfers in	-	-	67,040	-	200,000	232,500
TOTAL RECEIPTS	11,993	22,968	67,040	-	200,000	235,400
EXPENDITURES						
Law Enforcement	6,107	-	-	-	-	-
Capital outlay	-	-	-	-	184,895	57,980
Contractual services	-	-	-	1,167	-	-
Loan advances	-	120,000	-	-	-	-
Debt service	-	-	67,040	-	-	-
TOTAL EXPENDITURES	6,107	120,000	67,040	1,167	184,895	57,980
RECEIPTS OVER (UNDER) EXPENDITURES	5,886	(97,032)	-	(1,167)	15,105	177,420
UNENCUMBERED CASH, BEGINNING	-	118,921	67,313	24,439	268,518	605,698
UNENCUMBERED CASH, ENDING	<u>\$ 5,886</u>	<u>\$ 21,889</u>	<u>\$ 67,313</u>	<u>\$ 23,272</u>	<u>\$ 283,623</u>	<u>\$ 783,118</u>



## CITY OF HESSTON, KANSAS

CAPITAL PROJECTS NONBUDGETED FUNDS  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2014

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	<u>WWTP</u>	<u>West Embers IV</u>	<u>Prairie Lakes I</u>	<u>Windover II</u>	<u>Total</u>
RECEIPTS	\$ 2,413,055	\$ 287,746	\$ 1,065,316	\$ -	\$ 3,766,117
EXPENDITURES	<u>2,453,499</u>	<u>206,692</u>	<u>989,296</u>	<u>-</u>	<u>3,649,487</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(40,444)	81,054	76,020	-	116,630
UNENCUMBERED CASH, BEGINNING	<u>-</u>	<u>(24,690)</u>	<u>(661)</u>	<u>(1,420)</u>	<u>(26,771)</u>
UNENCUMBERED CASH, ENDING	<u>\$ (40,444)</u>	<u>\$ 56,364</u>	<u>\$ 75,359</u>	<u>\$ (1,420)</u>	<u>\$ 89,859</u>

## CITY OF HESSTON, KANSAS

BUSINESS NONBUDGETED FUNDS  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2014

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	Utility Maintenance Reserve	Golf Course Maintenance Reserve
RECEIPTS		
Operational transfers in	\$ 250,000	\$ 50,000
Miscellaneous	975	-
Reimbursed expense	1,010	-
	<hr/>	<hr/>
TOTAL RECEIPTS	251,985	50,000
	<hr/>	<hr/>
EXPENDITURES		
Equipment	-	5,492
Service contracts	-	8,873
Supplies	-	298
Grant	-	2,771
Maintenance	210,231	-
	<hr/>	<hr/>
TOTAL EXPENDITURES	210,231	17,434
	<hr/>	<hr/>
RECEIPTS OVER (UNDER) EXPENDITURES	41,754	32,566
UNENCUMBERED CASH, BEGINNING	1,409,595	72,308
	<hr/>	<hr/>
UNENCUMBERED CASH, ENDING	<u>\$ 1,451,349</u>	<u>\$ 104,874</u>

## CITY OF HESSTON, KANSAS

HESSTON PUBLIC LIBRARY - RELATED MUNICIPAL ENTITY  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2014

## Schedule 3

	<u>Actual</u>
RECEIPTS	
City appropriations	\$ 185,987
Fines and donations	6,039
Grants	18,802
Miscellaneous	5,185
Interest	90
	<u>216,103</u>
TOTAL RECEIPTS	
EXPENDITURES	
Buildings	30,924
Equipment	29,925
Operations	5,849
Payroll	126,697
Program	8,893
Utilities	12,787
Postage	1,772
Training	491
Miscellaneous	2,919
	<u>220,257</u>
TOTAL EXPENDITURES	
RECEIPTS OVER (UNDER) EXPENDITURES	(4,154)
UNENCUMBERED CASH, BEGINNING	<u>66,074</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 61,920</u></u>